Statement Of

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I. Introduction

Mr. Chairman, officials of the Department of Justice and members of the Federal Trade Commission: my name is Matthew Weil, and I am a partner with the law firm of McDermott, Will and Emery, based in McDermott's Irvine, California, offices. I want to thank you all for giving me the chance to testify her today on a topic near to my heart and, I hope, relevant to these interesting and important proceedings.

For reasons that have been nearly universally proclaimed throughout these proceedings, we can take it as a given that technological innovation is a major--perhaps *the* major--engine of this country's economic success. As much as anything else, that success has secured our position of global leadership. For reasons others have discussed more eloquently and more authoritatively, I too believe the United States' system of patent protection has played an important role in promoting that technological innovation and fueling that economic success.

And for at least the last twenty years, the development and maintenance of the United States' patent system has been guided and promoted by the United States Court of Appeals for the Federal Circuit. And that is something I do know a little about. How that Court interprets and applies the patent laws--and, indeed, sometimes, appears to rewrite

important parts of the patent laws--has a decisive impact on how the patent laws are viewed by lawyers and their clients. When it does its job well, the Federal Circuit promotes the vitality and dynamism of technological innovation. When it missteps, the result can deter such innovation.

I say the topic of Federal Circuit decision-making is near to my heart for several reasons. First, I am one of six partners in McDermott's Irvine office who dedicate themselves full time to intellectual properly matters. Second, I am a member of the board of directors and, presently, also Secretary, of the Orange County Patent Law Association. The Orange County Patent Law Association is a professional organization of members of the bar from all areas of intellectual property. The Association is dedicated to organizing, serving and educating members of the intellectual property law community in Orange County. Third, and finally, I have made critical observation of the Federal Circuit and the patent law something of a hobby, too. Together with my friend and former partner, Bill Rooklidge, I had the opportunity a couple of years ago to write a series of articles on the workings of the Federal Circuit Court of Appeals and, in particular, how that Court handles precedent and conflicts within the circuit itself. Since that time, I have kept my hand in publishing as a member of the Editorial Board of the AIPLA Quarterly Journal, published every three months by George

Washington University Law School and the American Intellectual Property Law Association.

In all of those capacities--as advocate, as colleague to other intellectual property law practitioners, and as critical observer--I take a keen interest in the pronouncements of the Federal Circuit, and an equally keen interest in its workings. And with that background in mind, I want to touch on three general topics here today. First, I want to summarize briefly the issues raised in the three articles I co-authored with Mr. Rooklidge. Second, I want to update those articles, suggesting ways in which the Court has continued to make progress, and ways in which it still has challenges ahead of it. Third, I want to tie these observations more directly to the overarching theme of these hearings with a word or two about how the features of Federal Circuit decision-making that Mr. Rooklidge and I examined play themselves out at the nexus of patent and antitrust jurisprudence.

II. The Articles

The articles Mr. Rooklidge and I authored in 1998, 1999 and 2000, addressed three distinct but interrelated aspects of Federal Circuit jurisprudence.

The first article--called "Stare Decisis: The Sometimes Rough Treatment of Precedent in Federal Circuit Decision-Making"--came out in late 1998 in the Journal of the Patent and Trademark Office Society. The doctrine of *stare decisis* (which is Latin for, roughly, "to stand by what has been decided") is a principle that forms the foundation of most of American jurisprudence. Under the doctrine of *stare decisis*, once a decision on a certain set of facts has been made, courts will apply that same decision in subsequent cases with materially similar facts. As Oliver Wendyll Holmes observed, this allows court opinions to serve as "prophesies of what courts will do." Under the version of *stare decisis* explicitly adopted by the Federal Circuit, the Court's own precedent--as set out in the opinion of any three-judge panel--is binding and must be followed by subsequent panels unless and until overturned by the entire court, sitting *in banc*.

We playfully entitled this first article *Stare Undecisis*, because it examined ways in which the Federal Circuit could be said to have overlooked or sidestepped the precedent announced in prior case opinions, failing to give those cases their full *stare decisis* effect. We argued in this article that this practice created or aggravated conflicts among various decisions of the Federal Circuit body and led to less certainty in Federal Circuit decision-making.

The second article, "Judicial Hyperactivity: The Federal Circuit's Discomfort with its Appellate Role," was published in early 2000 in the Berkeley Technology Law Journal. This article discussed another bedrock tradition of American jurisprudence: namely the specialized role of appellate courts in our judicial system. In the American system, appellate court review of the decisions of trial courts and juries is very restricted. Appellate courts are supposed to review only the record of the proceedings as developed by the trial court, and they are supposed to review that record only for legal error and, in some circumstances, clear factual error. Appellate Courts are not supposed to act like trial courts in their own right.

The *Judicial Hyperactivity* article looked at the tendency of the Federal Circuit in certain circumstances to reach beyond its role as an appellate court to make independent findings of fact, even undertake its own fact investigations, rather than simply reviewing the record of case presented on appeal. The article also looked at ways in which the Federal Circuit, from time to time, stepped into the role of advocate, deciding cases on grounds never presented by the litigants. We argued that this inclination on the part of the Federal Circuit--like the inclination to overlook conflict in its own precedent--undermined the goal of certainty and predictability in Federal Circuit decision-making.

Finally, in late 2000, Mr. Rooklidge and I published an article in the Santa Clara Law Review entitled "En Banc Review, *Horror Pleni*, and the Resolution of Patent Law Conflicts." For the title of this article we reached back into our Latin dictionary and borrowed the term coined by Karl Llewellyn: *horror pleni*, which means literally "fear of the plenum," or group. Mr. Rooklidge and I used the term to refer to what we viewed as reticence on the part of the Federal Circuit to use the most important tool at its disposal to tackle intra-circuit conflict: the tool of *in banc* review, or review by the entire court. As I noted earlier, *in banc* review is the only legitimate way for the Federal Circuit to overturn its own precedent. The *Horror Pleni* article discussed the need for the Court to resolve its conflicting precedents by more active use of *in banc* review. While acknowledging that *in banc* review can be inefficient, we argued that is the best way to resolve apparent conflicts in Court precedent and promote greater certainty and predictability in the patent law.

III. Update of Articles

These articles I have been discussing were written three and four years ago, and since then some of the problems Mr. Rooklidge and I sought to raise for discussion and consideration have, in fact, become less problematic. If we were writing those articles today, we would have less to

take exception with, for example, in the area of intra-circuit conflicts, which the Court has taken considerable strides toward reducing, in part through the use of *in banc* decisions. On the other hand, new concerns have arisen in the way the Federal Circuit asserts and exercises its jurisdiction. These four years have shown the court to be in some ways more activist than we had seen in the past, more willing to assert its jurisdiction and sweep new issues into its ambit of control.

There is continued uncertainty about the scope of the Federal Circuit's jurisdiction and the reach of its own law. The Federal Circuit remains prone under certain circumstances to overstep the role defined for it by statute and by Supreme Court precedent. In particular, we have seen the Federal Circuit challenge these boundaries in at least two discernable ways.

One way in which the Federal Circuit continues to expand its influence is its tendency to second-guess the district courts, re-trying key aspects of cases that come before it. Since we first started writing our articles, one fact of patent litigation life has become even more pronounced. The so-called "*Markman* hearing," in which the district court construes the meaning of disputed patent language, has taken on greater and greater significance in patent litigation. Indeed, in the Northern District of California, where I am involved in a number of patent cases, the district

court has developed a special set of rules to govern a process stretching over several months in which the parties must exchange information, meet and confer, and assist the court in teeing up the question of claim construction. Despite all of the effort that goes into this exercise in the district court, it is my experience that litigants, their lawyers, and even the judges nearly universally believe that the chances that a district court claim construction will be reversed by the Federal Circuit are extremely high. Indeed, at one point nearly fifty percent of the *Markman* claim construction decisions appealed to the Federal Circuit were being reversed or modified by that Court.

There is nothing inherently improper in this. Because claim construction is a question of law, the Federal Circuit's review of district court claim construction is *de novo*, which is to say, it is allowed to do it "from scratch." There have been cases, however, in which the Federal Circuit has then gone on to resolve a case based on its new claim construction, acting more like a trial court than an appellate court. It has gotten to the point now that I have heard district judges wonder aloud why they bother conducting patent trials at all since the matter will so often be "re-tried" by the Federal Circuit.

A second trend--discernable in recent years as it was earlier--is a tendency for the Federal Circuit to apply its own laws rather than the laws of the regional circuits to more and more questions. We have seem most of this creeping "federal-circuitization" of the law in relatively unsexy areas, such as the procedural rules bearing on the resolution of patent law issues. In at least one instance, however, the Federal Circuit has sought to expand the application of its particular law into an area of obvious substantive legal importance. That is the area of antitrust jurisprudence to which I will turn now.

IV. Nexus

The Federal Circuit derives its special jurisdiction from sections 1295 and 1338 of Title 28 of the United States Code. Read together, these sections confer upon the Federal Circuit exclusive jurisdiction over appeals from any district court of cases in which the district court's original jurisdiction arose "under any Act of Congress relating to patents." In deciding cases before it, the Federal Circuit is supposed to apply its own law to substantive questions "arising out of the patent laws," while it is supposed the apply the law of the regional circuit from which the case arose to procedural matters and substantive matters not central to its own patent jurisprudence.

In the last few years, the Court has staked out a fairly expansive definition of the scope of its jurisdiction over questions of antitrust law. In *Nobelpharma AB v. Implant Innovations, Inc.*, 141 F.3d 1059 (Fed. Cir. 1998), for example, the Federal Circuit announced that "whether conduct in the prosecution of a patent is sufficient to strip a patentee of its immunity from the antitrust laws" is a question the involves the Federal Circuit's exclusive jurisdiction. Incidentally, this was a departure from the Court's prior precedent and required an *in banc* vote of the entire Court to adopt this position. In *Nobelpharma*, the Federal Circuit reasoned that most cases of antitrust claims arising out of the prosecution of a patent would lie within its appellate jurisdiction anyway. The Federal Circuit justified its decision to apply its own law to this question as being necessary to develop uniformity in this important area of antitrust law.

Almost immediately, the Federal Circuit was called upon to clarify the scope of the sweeping pronouncement it made in *Nobelpharma*. In an unpublished opinion entitled *In re Filmtec Corp.*, 155 F.3d 573 (Fed. Cir. July 7, 1998) [available at 1998 U.S. App. LEXIS 17322], the Court made it clear that it had not intended a suggest it had *exclusive* jurisdiction to decide antitrust claims arising out of fraud on the Patent Office. Rather, the

Court pointed out that such claims often arise in *cases* over which it does have exclusive jurisdiction.

Some commentators have looked at *Nobelpharma* and the cases which have followed it and noted that the Federal Circuit has done a good job crafting its own antitrust law that is largely in accord with the better reasoned antitrust law developed in the various regional circuits. However well the Federal Circuit may have done in its foray into antitrust law, though, I think it is possible to object to the *Nobelpharma* opinion on principle alone. Even if the Federal Circuit appears to be "getting it right" in this particular area of the law, it has done so in a way the subtly erodes the boundary between the Federal Circuit's jurisdiction and the jurisdiction reserved to the other courts of appeal.

In this regard, the Federal Circuit's rationale for carving out a piece of antitrust law as its particular domain was simply too powerful. There are probably other areas of law that arise only in connection with patent litigation that could similarly use more "uniformity." For example, there is considerable variation in how different states' contract laws treat a contract for the assignment of patent rights. Like the antitrust nexus identified in Nobelpharma, this is certainly an area in which uniformity would streamline the application of the patent laws. But that is clearly not

an area where the Federal Circuit is permitted to apply its own laws. In any event, it is an area in which the Federal Circuit has, to date, has consistently ruled that regional circuit and state law control.

The court was not formed to bring uniformity to the law generally. It was formed to bring uniformity the patent law. And as to core concepts and rules, it has largely done that. By reaching further and further out from its core area of concern (and jurisdiction), the Court changes the balance between two competing values: uniformity and diversity. In accordance with basic federalist values underlying our system of government, echoed in the pro-competition bent of our antitrust laws, the system of multiple circuit courts was devised--in a sense--to permit, or even encourage, competition among the circuits in the development of the law. The diversity among the circuits, moderated and guided by the Supreme Court when it sees a need to resolve conflicting approaches, is something that insures the dynamism and stability of our own judicial system. By applying its own law rather than the law of the regional circuits to particular antitrust issues, the Federal Circuit chips away at that diversity.

There is no question the Federal Circuit was intended to have jurisdiction over antitrust questions when such questions arise, in particular cases, in the context of patent cases, but it does not necessarily follow that

the Federal Circuit should create and apply its own law rather than the law of a regional circuit. In fact, until June of this year, I would have said that the clarification offered in the *Filmtec* case was a clear admission of that the Federal Circuit should not be applying its own law to antitrust questions precisely because those questions do not automatically give rise to appeals that end up in the Federal Circuit. In June, however, the Supreme Court's decision in *Holmes Group, Inc. v. Vornado Air Circulation Systems, Inc.* may have upset that line of reasoning.

I will not dwell on *Holmes* at length except to say that what we once thought a fairly obvious proposition--that the Federal Circuit has exclusive jurisdiction over cases in which patent issues arise--turns out not to be true. We now know that the Court has exclusive jurisdiction only when those patent claims are evident in the well-pleaded complaint. Where they arise solely by means of a counterclaim, issues arising under the patent laws may well end up being decided by one of the regional circuits, which have not seen questions of this sort for over twenty years now.

V. Conclusion

The Federal Circuit was formed in the early 80s for the reason and with the mandate to bring uniformity and consistency to the patent laws. In my view, it has consistently in the past, and still today, continues to move

in the direction of fulfilling that mandate. Practitioners and the District Courts have a growing, elaborate, and largely consistent and sensible body of law to which they may look in counseling clients and deciding cases. The evils of forum-dependent outcomes have been somewhat mitigated. Though variation among forums and jurisdictions, especially as to procedure, can still influence outcomes, they are not outcome determinative. Enhanced uniformity brings more predictability and enhanced use of a system which is good for innovation while at the same time permitting competition by those who can be more certain of the "metes and bounds" of issued patents leave off. These values alone, however, do not justify unchecked expansion of Federal Circuit jurisdiction over other areas of law, such as antitrust law. Indeed, in the development of antitrust law, as in other areas, competition can be a good thing.